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SUBJECT: AGOA SHIPMENTS IN SECOND HALF 2008 - MADAGASCAR

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¶1. Summary: Madagascar's AGOA apparel exports in the second half of 2008 were similar to those of the second half of 2007. However, the total amount for 2008 decreased by 3.5 percent compared to 2007. This decreasing trend will likely be stronger in 2009 due to the current political turmoil and to the world financial crisis. END SUMMARY.

¶2. Madagascar still among the main suppliers in 2008

Madagascar's AGOA apparel exports in the second half of 2008 were close to those of the second half of 2007 (USD 137,774,524 in 2008 versus USD 135,629,349 in 2007). However, the total amount for 2008 decreased by 3.5 percent compared to 2007 (USD 233.8 million in 2008 versus USD 242.1 million in 2007). Despite double digit appreciation of the Ariary against the Euro and Dollar, Madagascar AGOA apparel exports showed a good performance in 2008 in comparison with countries like Lesotho, Kenya, and Mauritius. Traditional U.S. buyers such as the GAP, Gloria Vanderbilt, and Jordache still continue to purchase from Madagascar. The 2008 USITC data showed again that Madagascar ranked second in AGOA apparel shipments by value after Lesotho (USD 279 million against USD 339 million for Lesotho).

¶3. Return of political unrest

Since January 2009, the status of the Government of Madagascar (GOM) has been called into question with daily street demonstrations. This political conflict led to the burning and looting of several private assets belonging to locals and foreigners in January, and the resignation of the president in March 2009.

¶4. Several lay-offs since January 2009

Many firms have informed the Malagasy Customs and the Ministry of Industry that due to the current political turmoil, they have been forced to lay-off some of their workers.

GROVE, the third largest exporter of apparel under AGOA - USD 26 million of exports in 2008 and employing 3,500 workers - began laying off workers in February because its buyers cancelled orders. Grove has retained only 25 percent of its workers until the manufacture of the last order scheduled for the end of April 2009.

POLO Group, the only textile company based in the West of the country and employing at least 1000 workers was totally looted and burnt on January 27, 2009.

As most of the apparel firms have their mother companies in China, many firms have decided to return the fabrics and accessories back to China, India or Pakistan.

There are no official data on companies that have closed, but local papers report that there has been a loss of at least 10,000 jobs since January 2009.

¶5. Gloomy prospects for 2009

Given the world financial crisis and the political unrest, the future of Madagascar's textile sector is gloomy. Furthermore, tax incentives granted to Export Processing Zone (EPZ) companies will be offered only through December 2010. Therefore, the arrival of new foreign investors in the apparel sector is unlikely.

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